

Message Text

LIMITED OFFICIAL USE

PAGE 01 BELGRA 02786 041436Z

47

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-03 IGA-01 AID-05

FRB-03 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 STR-04 MC-02 PA-01 PRS-01 IO-10

/079 W

----- 046228

R 041332Z JUN 75

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 3002

INFO AMCONSUL ZAGREB

AMCONSUL MONTREAL

LIMITED OFFICIAL USE BELGRADE 2786

PASS EXIM BANK

E.O. 11652: N/A

TAGS: EAIR, YO

SUBJ: JUGOSLOVENSKI AEROTRANSPORT (JAT)

SUMMARY: JAT DIRECTOR MAJOR GENERAL RADOSAVLJEVIC IN PRESS CONFERENCE, CONFIRMED AIRLINE HAD 1974 LOSSES OF AT LEAST 158 MILLION DINARS. HE CRITICIZED PREVIOUS JAT MANAGEMENT FOR IN PART CAUSING, AND SUBSEQUENTLY CONCEALING LOSS. DEFICIT WILL BE COVERED BY LOANS WHILE JAT ADOPTS STABILIZATION PROGRAM AND WORK OUT DEVELOPMENT PLANS TO IMPROVE EFFICIENCY AND REDUCE UNPROFITABLE ACTIVITIES. IT APPEARS TO US JAT EXPANSION PROGRAM, INCLUDING PROCUREMENT PLANS FOR U.S. AIRCRAFT, WILL PROBABLY BE REFORMULATED AND DELAYED, AND EMBASSY BELIEVES YUGOSLAVIA'S INTEREST IN SCHEDULED AIR AGREEMENT WITH U.S. FOR OPERATION IN 1976 MAY HAVE ALSO SLACKENED. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BELGRA 02786 041436Z

1. IN PRESS CONFERENCE, JAT DIRECTOR MAJOR GENERAL RADOSAVLJEVIC DISCLOSED JAT LOST 158 MILLION DINARS IN 1974.

2. RADOSAVLJEVIC LAID RESPONSIBILITY FOR LOSS ON TWO GROUPS OF FACTORS:

A. OBJECTIVE: INFLATION, RECESSION, RISING FUEL COSTS, ETC.
B. SUBJECTIVE: "NUMEROUS SHORTCOMINGS IN JAT ITSELF."

3. ON LATTER POINT, YUGOSLAV PRESS CITED SERIES OF SINS BY PREVIOUS MANAGEMENT MENTIONING FORMER DIRECTOR VIDOMIR KRUNIC BY NAME (KRUNIC IS CURRENTLY YUGOSLAV DELEGATE TO ICAO IN MONTREAL).

4. ACCORDING PRESS, LACK OF DISCIPLINE CHARACTERIZED JAT WHICH HAD NO COHERENT MANAGEMENT POLICY OR DEVELOPMENT PLANS. UNNAMED MEMBERS OF JAT'S PREVIOUS MANAGEMENT TEAM WERE ACCUSED OF "DOCTORING" JAT'S BOOKS IN ORDER CONCEAL LOSS FROM PUBLIC AND JAT EMPLOYEES, AND OF SEEKING PREVENT PUBLIC ACCOUNTING SERVICE FROM AUDITING JAT RECORDS. THESE MANAGERS HAVE NOW BEEN REPLACED.

5. AS EXAMPLE OF SLOPPY MANAGEMENT, RADOSLAVIJEVIC CLAIMED PERSONAL INCOMES AT JAT INCREASED FORTY-FOUR PERCENT LAST YEAR WHILE PRODUCTIVITY ROSE ONLY FOUR PERCENT; GROSS INCOME TWENTY-SIX PERCENT, AND BUSINESS COSTS THIRTY-SEVEN PERCENT.

6. AMONG OBJECTIVE FACTORS CONTRIBUTING TO LOSS ARE ARTIFICIALLY LOW DOMESTIC AIR FARES WHICH FORCES MANY DOMESTIC FLIGHTS OPERATE AT A LOSS EVEN WHEN PLANES FLY FULL.

7. RADOSAVLJEVIC ANNOUNCED THAT JAT WILL COVER LOSS IN PART THROUGH LOANS FROM BANKS, REPUBLICS AND PROVINCES AND IN PART THROUGH STABILIZATION PROGRAM THAT INCLUDES PAYMENT OF ONLY EIGHTY PERCENT OF SALARIES TO JAT EMPLOYEES.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BELGRA 02786 041436Z

8. SERBIA IS TO LOAN JAT 52 MILLION DINARS; CITY OF BELGRADE 22 MILLION; YUGOSLAV INVESTMENT BANK 10 MILLION; AND BEOGRADSKA BANKA 30 MILLION. LOANS ARE REPORTEDLY AT COMMERCIAL RATES OF INTEREST.

9. AS PART OF REHABILITATION PROGRAM JAT HAS RECEIVED FEC (CABINET) PERMISSION TO INCREASE DOMESTIC PASSENGER FARES BY AN AVERAGE OF TWENTY PERCENT AND FREIGHT FARES

BY THIRTEEN PERCENT. THESE INCREASES, HOWEVER, ARE NOT SUFFICIENT TO MAKE DOMESTIC FLIGHTS PROFITABLE.

10. COMMENT: RADOSAVLJEVIC IS APPARENTLY DETERMINED TO PUT JAT ON ITS FEET ECONOMICALLY. TO ACCOMPLISH THIS, THE AIRLINE IS BEING REORGANIZED INTERNALLY AND JAT IS ATTEMPTING TO REDEFINE ITS RELATIONSHIPS WITH REPUBLICS AND PROVINCES IN ORDER TO SECURE THEIR ASSISTANCE.

11. INTERNALLY, RADOSAVLJEVIC IS IN PROCESS OF MAKING PERSONNEL CHANGES, STREAMLINING OPERATIONS, CUTTING COSTS, AND PUSHING EMPLOYEES TO WORK HARDER. VISITING AMERICAN BUSINESSMEN HAVE REPORTED JAT OFFICES NOW WORK OVERTIME AND OFFICERS OF THE AIRLINE, WHO WERE PREVIOUSLY AVAILABLE FOR LONG MEETINGS OR LEISURELY LUNCHEES, ARE NOW TOO BUSY WORKING TO SEE VISITORS. IN HIS SELECTION OF ADVISERS, RADOSAVLJEVIC IS REPORTEDLY REHABILITATING TALENTED PERSONS WHO WERE PREVIOUSLY SHUNTED ASIDE BECAUSE THEY DO NOT BELONG TO THE LCY. THERE HAS BEEN SOME CRITICISM THAT RADOSAVLJEVIC'S STYLE CONFUSES DISCIPLINE WITH EFFICIENCY, BUT MOST OBSERVERS--WHILE ACKNOWLEDGING THE AUTHORITARIAN NATURE OF THE NEW MANAGEMENT--BELIEVE IT IS NECESSARY FOR THE DEMANDS OF THE MOMENT.

12. RADOSAVLJEVIC APPARENTLY HOPES TO BUILD A RELATIONSHIP BETWEEN JAT AND THE REPUBLICS AND PROVINCES THAT RECOGNIZES THE LATTERS' OBLIGATION TO ASSIST THE AIRLINE FINANCIALLY AND OTHERWISE, BECAUSE OF THE NATIONAL SOCIAL BENEFITS(EXTERNAL ECONOMICS) OF JAT SERVICES WHICH ARE PROVIDED ON MANY, IF NOT MOST, DOMESTIC ROUTES AT A LOSS. REPORTEDLY SERBIA AND MACEDONIA ARE RECEPTIVE TO THIS APPROACH, WHILE BOSNIA AND MONTENEGRO, AND POSSIBLY OTHERS, HAVE RESERVATIONS. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BELGRA 02786 041436Z

IT SEEMS CLEAR THAT RADOSAVLJEVIC INTENDS TO PUSH THIS ISSUE TO THE HIGHEST LEVELS OF GOVERNMENT AND PARTY WITH IMPLIED THREAT THAT JAT WOULD BE JUSTIFIED IN CURTAILING OR HALTING UNPROFITABLE SERVICE IN ABSENCE OF SUPPORT FROM POLITICAL COMMUNITIES. JAT IS ALSO PUSHING AHEAD WITH PLANS FOR THE MERGER OF YUGOSLAVIA'S FOUR AIR COMPANIES AND DESPITE REPORTED CONTINUED STALLING BY INEX-ADRIA AND PAN-ADRIA, JAT BELIEVES FINAL AGREEMENT IS CLOSE AND THAT OVERALL EFFICIENCY WILL IMPROVE AS RESULT.

13. PRESS CRITICISM OF PAST FLEET PROCUREMENT POLICIES, LACK OF EFFECTIVE MARKETING PROGRAMS, AND POOR COMMERCIAL SERVICES INDICATES JAT IS REEXAMINING ITS ENTIRE OPERATION AND DEVELOPMENT POLICIES. COMMENTS FROM U.S.

AIRCRAFT SALES STAFFS ALSO SUGGEST THAT JAT PURCHASE OF
NEW AIRCRAFT INCLUDING WIDE-BODIED, ARE BEING DELAYED
PENDING A THOROUGH AIR TRAFFIC STUDY. JAT'S PROBLEMS
MAY ALSO AT LEAST PARTIALLY EXPLAIN WHY THERE HAVE
BEEN NO FURTHER EXPRESSIONS OF INTEREST IN SCHEDULED
AIR AGREEMENT WITH U.S. FOR 1976, WHICH WERE VOICED SO
STRONGLY LAST WINTER BY BOTH JAT AND CIVIL AIR
AUTHORITIES. END COMMENT.
SILBERMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, PRESS CONFERENCES, AIRLINES, AVIATION AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BELGRA02786
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750195-0608
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750679/aaaacuci.tel
Line Count: 178
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAY 2003 by BoyleJA>; APPROVED <25 SEP 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JUGOSLOVENSKI AEROTRANSPORT (JAT) SUMMARY: JAT DIRECTOR MAJOR GENERAL RADOSAVLJEVIC
TAGS: EAIR, YO, JAT, (RADOSAVLJEVIC)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006